

Motivation in multinational companies

[Psychology](#), [Motivation](#)



Introduction

A Multinational Corporation (MNC in short) can normally be described as an organisation carrying out its business operations in more than one country (Porter, 1990). MNC alias transnational enterprise can be defined as “ a firm which owns or controls income-generating assets in more than one country” (Frieden and Lake, 2000, p. 167). This means that a multinational corporation can have major assets in one or more foreign subsidiaries for the purpose of earning profits (French, 1998). The recent trend and growth opportunities have also increasingly forced American MNCs to establish their businesses in every corner of the World. The impact of opportunities in terms of growth within the international environment has also become major force in human resource management. The human resource practices are inherent realities faced by many American based MNCs during running their business operations at international level. According to Haile (2002), MNCs always need to coordinate policies and procedures according to the requirements of host country nationals, parent country nationals, and also third country nationals.

This short report is based on highlighting the chief characteristics of US-based global organisations and their specificity of motivational system and approach to human resources. For this purpose, the author may need to consider relevant motivational theories to describe its specificity in human resources. The paper will conclude with the answer of the question “ Is American theory universal or it might not applicable to European perspective, and why?”

Characteristics of US-based MNCs

In general, the characteristics of the MNCs are based on the type of the organisation but there are some common characteristics can be found in all kinds of US-based MNCs. Hodgetts (2005) mentioned that MNCs normally have similar organisational structures but they differ in terms of their operations. In contrast, Onkvisit and Shaw (2008) argued that MNCs can be characterised on the basis of their size, structure, and performance in parent country as well as in other parts of the World. Spero and Hart (2009) declared that multinational corporations are among the World's biggest firms with revenues in billion dollars such as Wal-mart, Exxon mobile, and General Motors. In addition, they run their businesses internationally through an organised network of scattered branches and subsidiaries that own and control their assets Worldwide.

Sunita (2005) specify that MNCs usually have oligopolistic approach in acquiring economic power through the process of mergers and takeovers. Furthermore, MNCs have the capabilities of collective transfer of resources in international markets with professional management and multiple objectives. MNCs from developed countries always conduct extensive market researches before transferring their operations to target country and also look for growth opportunities. According to Hodgetts (2005), US-based MNCs have common characteristics which are based on formalization, specialization and centralisation where formalisation deals with defined-structures, communication patterns, and controlling business operations. Specialisation is an organisational characteristic of assigning job roles to

individuals to perform a particular task such as marketing, customer service, sales, recruitment, and purchasing. Similarly, centralisation is very common characteristic of US-based MNCs where the top management likes to have control over decisions and entire activities of the business.

Specificity of motivational system and approach to HR

From the past few decades, many literature studies have shown that the human resource practices and motivational system of global MNCs are primarily based on their origins and nationalities and culture (Ferner et al., 2004). It is believed that US-based MNCs have more centralised control over financial, marketing, and production decisions (Young et al., 1985) and give less priority to employee relationships, motivation, communication, and conducting training and development programs (Yuen and Kee, 1993; Harzing, 1999, Child et al., 2000). But some case studies of HP, IBM, and McDonalds show the involvement of top management in employee retention, communication, benefits, and union recognition (Martin and Beaumont, 1999; Tayeb and Thory, 2001). In addition, Child et al (2000) and Harzing (1999) argued that US-based MNCs are different from European MNCs on the basis of decentralisation and high degree of formalization and standardization (Bomers and Peterson, 1977).

Yuen and Kee (1993) argue that the HR practices of MNCs are also based on cultural differences that can be described through Hofstede's (1980) cross-cultural dimensions such as power distance, uncertainty avoidance, masculinity-femininity, individualism-collectivism, and long and short term orientation. The HR managers of MNCs should carefully evaluate the

motivational use of compensations, awards, and incentives among different communities. For Americans money is more important than other things such as independence, influence, and prestige but in other cultures especially in Europe job security, respect, power, social acceptance, personal life, and advancement are given more importance.

According to Latta (1998), the HR managers in MNCs should build an emigrant pay package to motivate their employees Worldwide. The pay package must be compatible with company's budget in meeting corporate goals at home and abroad by keeping expatriates motivated. Motivation is known as a hidden force that enables organisations to retain talented workforce in terms of their personal needs, values, beliefs, and attitudes. Taylor et al (1996) opine that MNCs can also use different motivational theories to control HR practices in the subsidiaries in order to gain international competitive advantage. Each MNC uses one or combination of more than one motivational approaches to adopt some degree of sustainable strategy. In order to understand the hidden influences of different motivational theories and their impact on different types of nationalities, four main motivational theories will be discussed in this section in USA and European contexts. In addition, the attempt will be made to show if American theories are universal or they might not apply to European perspectives.

Today, Abraham Maslow's 'Hierarchy of Needs' theory is known as one of the best motivational theories which is mainly based on a pyramid of five levels of needs where after satisfying their fundamental needs in lower level,

individuals in MNCs look of physiological needs, and then safety needs followed by love and self-actualisation. However, this theory is culturally biased and more America-dominated and has some limitations when it is applied to other parts of the World including Europe. For example, in most of the European countries it is limited to an informal family and social gathering for employees but in US ceremonies are much more important and formal (Maciamo, 2007). Similarly, in Asian countries, employees give value to family matters at quite high level (Jansson, 2007). Therefore, the motivational system of MNCs should be designed according to the culture and region where the firm is operating. It is evident from many studies that most of the US-based MNCs have centralised, formalized, and standardized HR structures (Young et al., 1985) and do not normally alter their HR policies at subsidiary level (Child et al., 2000).

The expectancy theory of Victor Vroom promotes individualism and based on the expectations and perceptions of employees in return of good work. Studies have shown that American employees have higher ratings of valence for pay increase, incentives, promotions, and job security (Dubinsky et al., 1994). However, the comparison between European and US cultures on the basis of uncertainty avoidance has justified the popularity of expectancy theory of motivation in the United States where employees are more demanding in fulfilling their basic needs. In addition, the combination of relatively high Masculinity with weak Uncertainty Avoidance is showing that why achievement motive is so important for US-based MNCs (Hofstede, 1980). Applying expectancy theory in European context depends on the

country, but it is important for MNCs to remember the key cultural differences and motivational factors.

On the other hand, ERG theory of Clayton Alderfer is an expansion of Maslow hierarchy of needs but argues that employees can have more than one level of needs at the same time and there should not be any progression through the level of needs. For example, one employee can follow individual goals whilst relatedness and existence have not been fully satisfied. This shows that MNCs can motivate employees by targeting multiple areas of concern because if one level has dissatisfactory results then employee can be satisfied on other levels (Alderfer, 1972; Wren et al., 2007). So, on the basis of these facts, it can be said that ERG theory is applicable to European perspective and also acceptable to all types of cultures as compare to Maslow hierarchy of needs which is purely US-based.

Another popular theory of motivation was proposed by Douglas McGregor in 1960 which is called Theory X and Y where motivation was figured out in two very different ways. This theory is fittingly applicable to both perspectives. In normal practice, America-based MNCs usually follow theory X for motivating employees where it is assumed that employees are lazy and will avoid work if they can. For that reason, a formal centralised system of controls is developed and applied to the whole firm where employees are closely supervised by the top management (Young et al., 1985). In contrast, most of the MNCs that belong to European countries normally follow Theory Y where self-motivation and self-control practices are encouraged by assuming that employees are ambitious in completing their jobs if sufficient environment

and benefits are provided to them (Ferner et al., 2004). In reality, it depends on host country's culture and environment. In some Asian and African countries the policy of using Theory Y may not be beneficial for MNCs and similarly it could be hard for US-based MNCs to survive in Europe including UK if they will apply theory X.

Conclusion

The report was based on identifying the key characteristics of America-based multinational corporations and their specificity of motivational system and approach to human resources. It was found from the literature review that US-based MNCs are primarily different from European MNCs in terms of many things such as corporate cultures, centralisation, formalization, and specialization (Yuen and Kee, 1993; Harzing, 1999, Child et al., 2000).

In order to check the validity of different popular motivational theories by applying them on USA and European perspectives, different motivational theories were evaluated to show that American theories are universal or they might not be applicable to European perspective. It was discovered that there are not big differences between the cultures of European countries and USA but it is hard to apply full theories with the same policies given by headquarter to subsidiaries. Therefore, it is recommended to US-based MNCs to modify the policies according to subsidiary's culture and environment by recognising the motivational factors associated with that culture.

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